

Message Text

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PAGE 01 CARACA 11592 072111Z

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ACTION COME-00

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 822

UNCLAS CARACAS 11592

E.O. 11652: N/A

TAGS: BEXP, VE

SUBJECT: MAJOR PROJECT: RAILROAD DEVELOPMENT

REF: STATE 256818, CARACAS 11029

1. GOVERNMENT OF VENEZUELA WELL AWARE THAT NO SINGLE U.S. FIRM COULD UNDERTAKE ENTIRE PROJECT, BUT PREFERS DEAL WITH SINGLE FOREIGN ENTITY HAVING OVERALL RESPONSIBILITY.
2. AT THIS POINT NO COUNTRY, NO FIRM, HAS "INSIDE TRACK". GOV INTENDS TO RELEASE PREQUALIFICATION REQUISITES ONLY TO EMBASSIES IN ORDER TO ASSURE THAT ONLY BLUE CHIP FIRMS WILL BE ATTRACTED TO PROJECT.
3. VENEZUELAN INDUSTRY COULD HANDLE ONLY VERY SMALL PORTION OF THIS GIGANTIC (FOR VENEZUELA) PROJECT. AT THIS POINT IT IS EVEN UNCERTAIN IF SIDOR (GOV STEEL COMBINE) WILL BE ABLE TO SUPPLY RAILS; THEY ARE NOW INVESTIGATING FEASIBILITY OF DOING SO.
4. FOREIGN GOVERNMENT PARTICIPATION IS NOT REPEAT NOT A REQUIREMENT; NO COMMITMENTS OR ARRANGEMENTS HAVE BEEN MADE FOR FINANCING, ALTHOUGH CONSIDERABLE PORTION OF FOREIGN FINANCING WILL BE REQUIRED. VENEZUELAN DEVELOPMENT FUND IS PRECLUDED FROM INVESTING IN TRANSPORTATION OR COMMUNICATIONS.
5. INASMUCH AS PROJECT HAS NOT YET WON APPROVAL OF VENEZUELAN CONGRESS, REFTEL WAS INTENDED AS EARLY WARNING ONLY. U.S. FIRMS SHOULD BE MADE AWARE THAT APPROVAL NOT YET OBTAINED.

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6. WITH REGARD TO RAILROAD, NO FOREIGN EQUITY ACCEPTABLE;

THIS IS AREA RESERVED TO GOV. WITH REGARD TO CAR PLANT WE HAVE
NO FIRM ANSWER, BUT IT HIGHLY UNLIKELY GOV WOULD PERMIT FOREIGN
EQUITY. POSSIBILITY WOULD REMAIN FOR TECHNICAL ASSISTANCE
CONTRACT IN OPERATION AND MAINTENANCE PROGRAMS.
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